

Message Text

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PAGE 01 CARACA 05796 101429Z
ACTION TRSE-00

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FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 7977

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E.O. 11652: N/A
TAGS: EAIR, EFIN, VE
SUBJ: PROPOSED RECIPROCAL EXEMPTION OF INTERNATIONAL AIRLINES

REF: STATE 110987

1. THE DRAFT NOTE EMBODIED IN REFTEL WAS DISCUSSED WITH MARIANO TIRADO, CHIEF TRANSPORTATION DIVISION, MINISTRY OF FOREIGN AFFAIRS. TIRADO PRESENTED A DRAFT AGREEMENT, AN UNOFFICIAL TRANSLATION OF WHICH FOLLOWS:
"AGREEMENT TO PREVENT DOUBLE TAXATION BY AIR TRANSPORT COMPANIES BETWEEN THE GOVERNMENT OF THE REPUBLIC OF VENEZUELA AND THE GOVERNMENT OF.....
THE GOVERNMENT OF THE REPUBLIC OF VENEZUELAN AND THE GOVERNMENT OF.....;
FOR THE PURPOSE OF PREVENTING DOUBLE TAXATION BY THE AIR TRANSPORT COMPANY DESIGNATED BY EACH ONE OF THE ABOVE GOVERNMENTS, ON EARNINGS DERIVED BY AIR TRANSPORT AND RELATED OPERATIONS IN THE TERRITORIES OF BOTH COUNTRIES; AND ALSO TO INCREASE COMMERCIAL, CULTURAL AND TOURIST EXCHANGE BETWEEN BOTH NATIONS;
AFTER HAVING STUDIED AND VERIFIED THE RECIPROCITY OF THE TREATMENT THAT EACH AIRLINE WILL RECEIVE BY THE OTHER CONTRACTING PARTY; AND,
AFTER EVALUATING THE FINANCIAL RESULTS OBTAINED BY EACH AIRLINE IN THE TERRITORY OF THE OTHER CONTRACTING PARTY, AND HAVING VERIFIED THE EXISTENCE OF AN EVEN BALANCE IN THE MENTIONED
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PAGE 02 CARACA 05796 101429Z

OPERATIONS:
THEY HAVE DECIDED TO CONCLUDE THE AGREEMENT CONTAINED IN THE FOLLOWING PROVISIONS:
ARTICLE 1. THE CONTRACTING PARTIES WILL EXONERATE THE COMPANIES IDENTIFIED IN SEPARATE NOTES, WHICH WILL BE CONSIDERED AS FORMING AN INTEGRAL PART OF THIS AGREEMENT, FROM PAYING TAXES ON PROFITS DERIVED BY SAID COMPANIES AS A RESULT OF THEIR OPERATIONS IN

THE TERRITORY OF THE OTHER CONTRACTING PARTY.

ARTICLE 2. THE AIRLINE IDENTIFIED IN ACCORDANCE WITH PROVISIONS STATED IN THE PRECEDING ARTICLE SHOULD SUBMIT TO THE APPROPRIATE AUTHORITIES OF THE OTHER CONTRACTING PARTY, FOR STATISTICAL PURPOSES, A FINANCIAL STATEMENT OF ITS AIR TRANSPORT AND RELATED OPERATIONS, CARRIED OUT IN THE TERRITORY OF THE OTHER CONTRACTING PARTY.

ARTICLE 3. THE APPROPRIATE AUTHORITIES OF THE CONTRACTING PARTIES WILL MEET FOR CONSULTATION WHEN DEEMED CONVENIENT, FOR THE PURPOSE OF INSURING THE RECIPROCAL APPLICATION AND FULFILLMENT OF THE PRINCIPLES, PURPOSES, CONDITIONS AND PROVISIONS OF THIS AGREEMENT. SUCH CONSULTATION CAN BE REQUESTED BY EITHER OF THE CONTRACTING PARTIES, AND IT SHOULD BE INITIATED WITHIN SIXTY (60) DAYS, COUNTED FROM THE DATE ON WHICH IT WAS REQUESTED. ARRANGEMENT FOR THIS CONSULTATION SHOULD BE EXPEDITED AND ANY INFORMATION, INCLUDING STATISTICAL, THAT CAN BE EXCHANGED BY MUTUAL ACCORD BETWEEN THE CONTRACTING PARTIES, WILL BE USED. IN CASE THE APPROPRIATE AUTHORITIES AGREE ON NEW CONDITIONS OR MODIFICATIONS AFFECTING THIS AGREEMENT, THEIR RECOMMENDATIONS WILL GO INTO EFFECT AFTER THEY ARE RATIFIED THROUGH AN EXCHANGE OF DIPLOMATIC NOTES.

ARTICLE 4. "APPROPRIATE AUTHORITIES" MEANS, WITH RESPECT TO VENEZUELA, THE DIRECTOR OF GENERAL REVENUE, OR IN LIEU OF THAT OFFICE, THE OFFICE OF LIKE FUNCTION OF THE MINISTRY OF FINANCE, AND WITH RESPECT TO THE UNITED STATES OF AMERICA, THE OFFICE OF

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PAGE 03 CARACA 05796 101429Z

ARTICLE 5. THE PRESENT AGREEMENT CAN BE DENOUNCED BY EITHER OF THE TWO CONTRACTING PARTIES, VIA DIPLOMATIC CHANNEL, BY SERVING NOTICE TO THE OTHER PARTY SIX (6) MONTHS PRIOR TO THE DATE ON WHICH TERMINATION IS DESIRED.

ARTICLE 6. DISAGREEMENTS BETWEEN THE CONTRACTING PARTIES RELATIVE TO THE INTERPRETATION OF THE IMPLEMENTATION OF THE AGREEMENT WILL BE DECIDED UPON BY PEACEFUL MEANS RECOGNIZED BY INTERNATIONAL LAW.

ARTICLE 7. THIS AGREEMENT WILL ENTER INTO FORCE ON THE DATE ON WHICH IT IS SIGNED, EXCEPT IN THE CASE THAT ONE OF THE CONTRACTING PARTIES SHOULD NEED TO FULFILL A SUBSEQUENT FORMALITY, IN WHICH CASE THE AGREEMENT WILL GO INTO FORCE WHEN THIS FORMER CONTRACTING PARTY NOTIFIES THE OTHER OF THE FULFILLMENT OF FORMALITIES REQUIRED BY ITS OWN LAWS.

CLOSING FORMALITY."

2. TIRADO MENTIONED THAT IF WE HAVE OBJECTIONS TO ARTICLE 2, THAT ARTICLE COULD PROBABLY BE ELIMINATED.
3. TIRADO PREFERS FORMAL AGREEMENT RATHER THAN SIMPLE EXCHANGE OF NOTES.
4. IT SHOULD ALSO BE NOTED THAT THE BEGINNING DATE OF THE AGREEMENT IN TIRADO'S DRAFT WOULD NOT BE RETROACTIVE AS IS PROPOSED IN DEPARTMENT'S DRAFT NOTE.
5. EMBASSY WOULD APPRECIATE DEPARTMENT'S VIEWS AND GUIDANCE.
6. SPANISH ORIGINAL OF DRAFT AGREEMENT BEING POUCHED.
VAKY

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Disposition Case Number: n/a
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Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
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